

IOWA COLLEGE STUDENT AID COMMISSION

Iowa Tuition Grant Study Report to the Education Appropriations Subcommittee February 2009

The 2007 General Assembly directed the Iowa College Student Aid Commission to study and report on whether changes should be made in the formula used to award Iowa Tuition Grants to improve the equity of awarding to students who qualify for Iowa Tuition Grant funding. Senate File 588 required that:

The Commission shall conduct a study of the estimated family contribution limit eligibility requirement for Iowa Tuition Grants to determine whether the current requirement is fair and equitable for prospective recipients and their families. The findings and recommendations, which the Commission shall submit in a report to the general assembly by January 14, 2008, shall include transition plans to ensure that students with the greatest financial need receive full grants.

The Commission contracted with a consultant, who provided initial recommendations, and the Commission appointed an Iowa Tuition Grant Study Subcommittee to review those recommendations with staff. With staff's assistance, Subcommittee members developed several models which were used to formulate the conclusions and recommendation in this report. Modeling information is attached.

Subcommittee members reviewed and agreed on the following Iowa Tuition Grant philosophy, criteria, and findings:

Philosophy:

- Iowa Tuition Grants fund students, not institutions.
 - Funding is provided to the college or university on the student's behalf.
- The Iowa Tuition Grant Program is a tuition equalization program.

Criteria:

- Iowa Tuition Grant should be need-based.
- There must be a relationship to the philosophy.
- Awards must be meaningful dollar amounts.

Findings:

- The current requirement under Iowa law, that has been in place for over 30 years, is fair and equitable.
- The fundamental policy of providing maximum awards to all full-time qualifying applicants should be maintained.
- A sliding scale for recipients is not a policy that should be applied to this program.
- A sliding scale could harm students currently eligible to receive Iowa Tuition Grants.

As a result of the Iowa Tuition Grant Study, the Iowa College Student Aid Commission recommended no changes to the awarding process currently used under the Iowa Tuition Grant Program.

Iowa Tuition Grant Program ITG Study Funding Models

The Iowa College Student Aid Commission's Iowa Tuition Grant Study Subcommittee reviewed the funding models found on the following pages when evaluating the Iowa Tuition Grant Program's awarding formula. These models were selected from nine models proposed by JBL and Associates, a contractor with which the Commission consulted on this project, and other models presented by the Subcommittee and staff.

Model 1 and Model 3:

Model 1 – Need-Based Award – Recognize family ability to pay and ensure that each ITG recipient has at least \$8,700 toward college expenses when the Iowa Tuition Grant, federal Pell Grant, and Expected Family Contribution are combined.

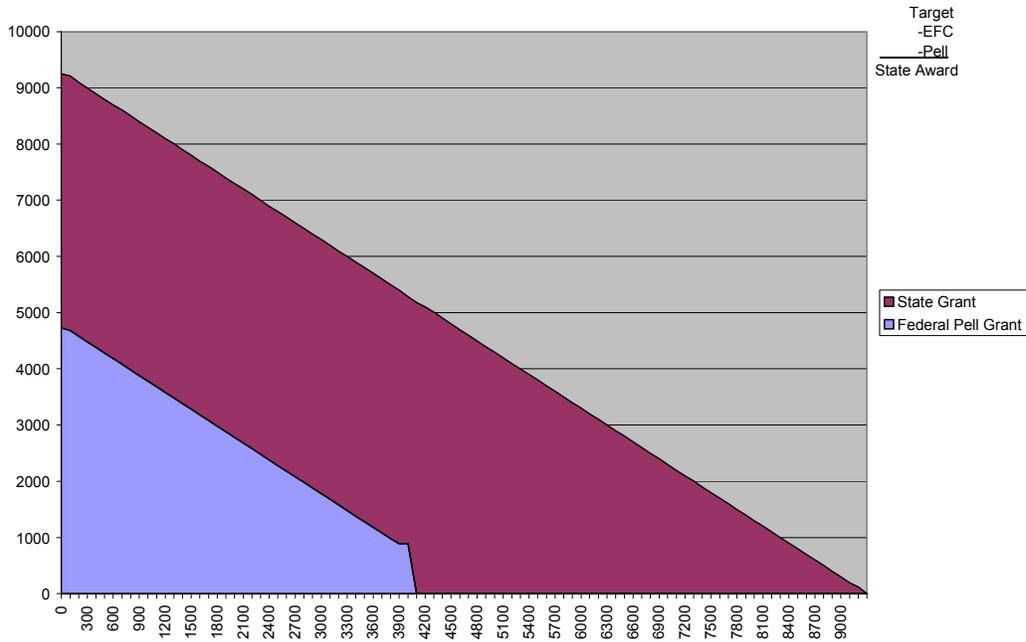
Model 3 – Regents Appropriation – Recognize family ability to pay and ensure that the combination of Iowa Tuition Grant, federal Pell Grant, and Expected Family Contribution equal the state support provided to a student enrolled in a public college or university.

(Target \$ amount) – EFC – Pell = State award

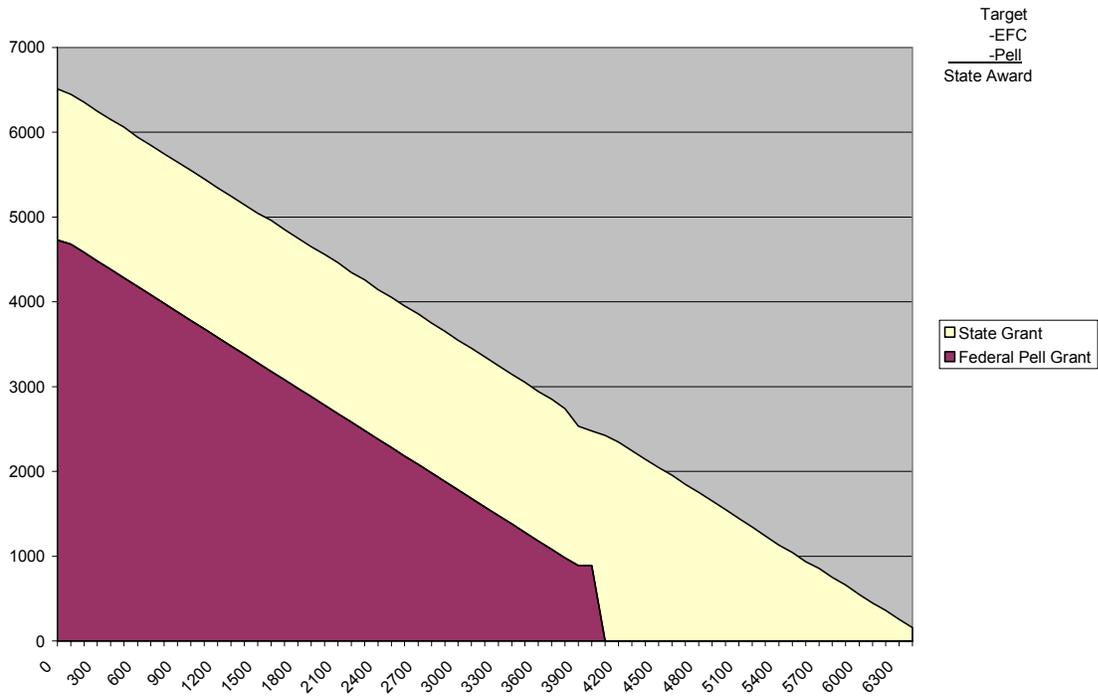
State support in model 1 is the subsidy for Regent institutions. The approaches are the same but the numbers will be different.

A target dollar amount is set which consists of the State award, the student's EFC, and the Pell Grant award.

Model 1 and 3 -- Not-for-Profit -- \$50 Million



Model 1 and 3 -- For Profit -- \$5.5 Million

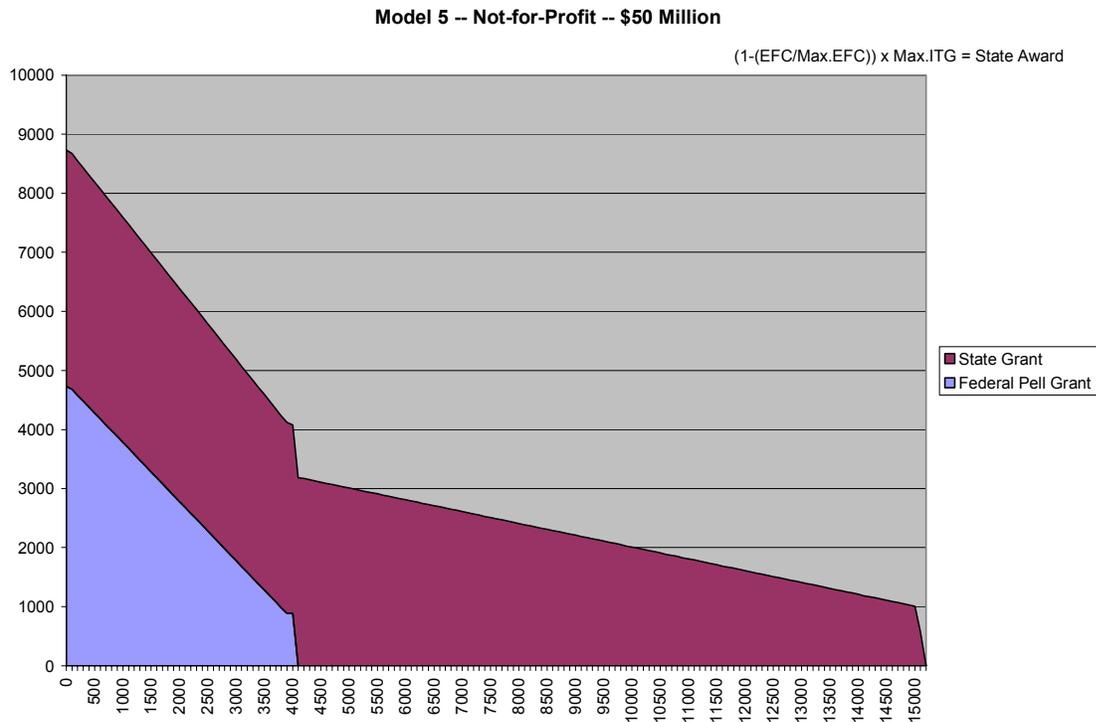


Model 5:

Gradient Reduction – Based on the current program, but with a gradual reduction in the Expected Family Contribution (EFC) cutoff, provide higher awards to students with lower EFCs and reduce awards from the current levels lower in the EFC distribution.

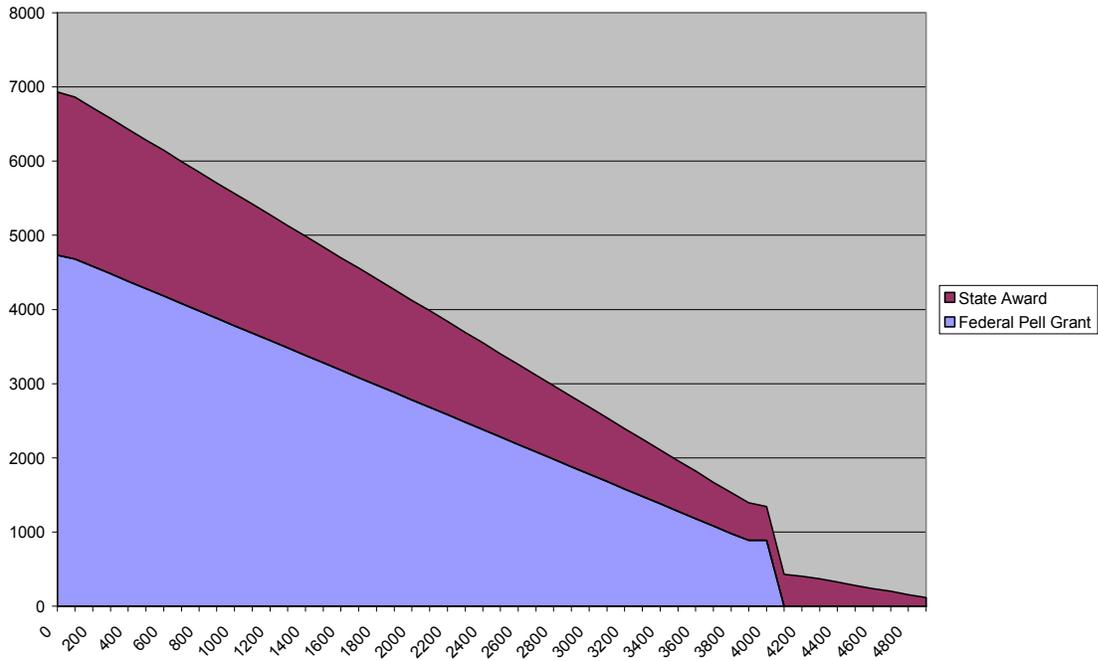
$$(1 - (\text{EFC}/\text{max EFC})) * (\text{max ITG}) = \text{State award}$$

Model 5 takes the student's EFC as a percentage of the maximum EFC for eligibility, and applies it to the maximum ITG (similar to a Pell gradient scale).



Model 5 -- For-Profit -- \$5.5 Million

$(1 - (\text{EFC} / \text{Max.EFC})) \times \text{Max.ITG} = \text{State Award}$

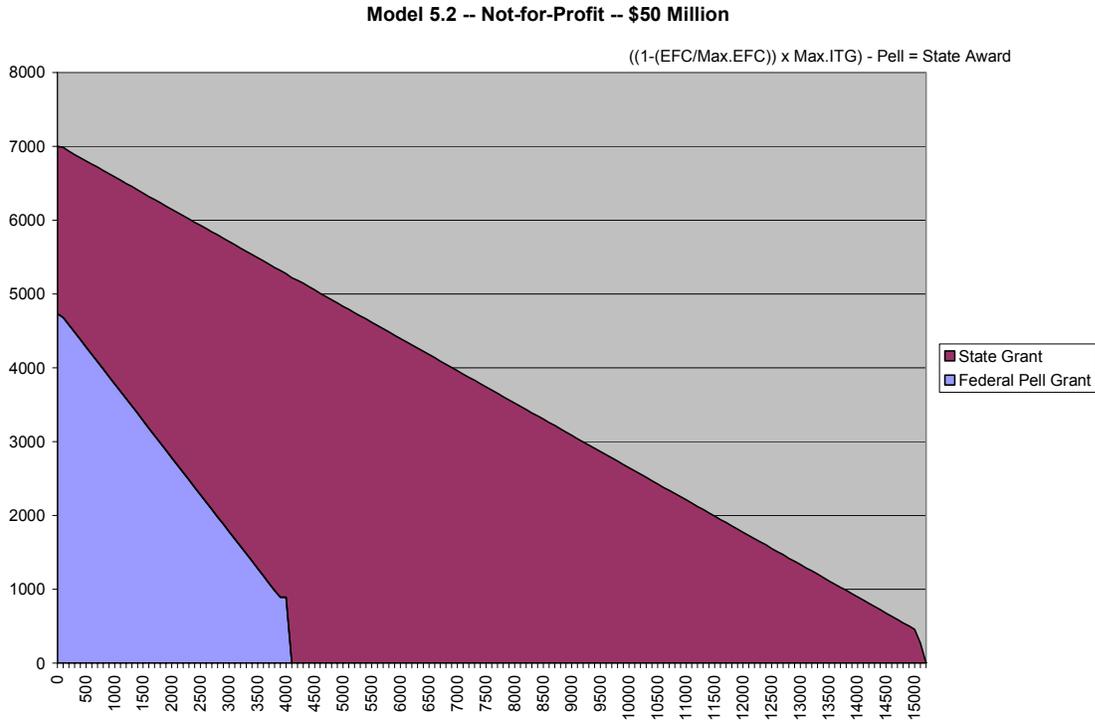


Model 5.2:

Gradient Reduction – Based on the current program, but with a gradual reduction in the Expected Family Contribution (EFC) cutoff, provide higher awards to students with lower EFCs and reduce awards from the current levels lower in the EFC distribution adjusting for federal Pell Grant award. Basically, a Pell Grant supplement.

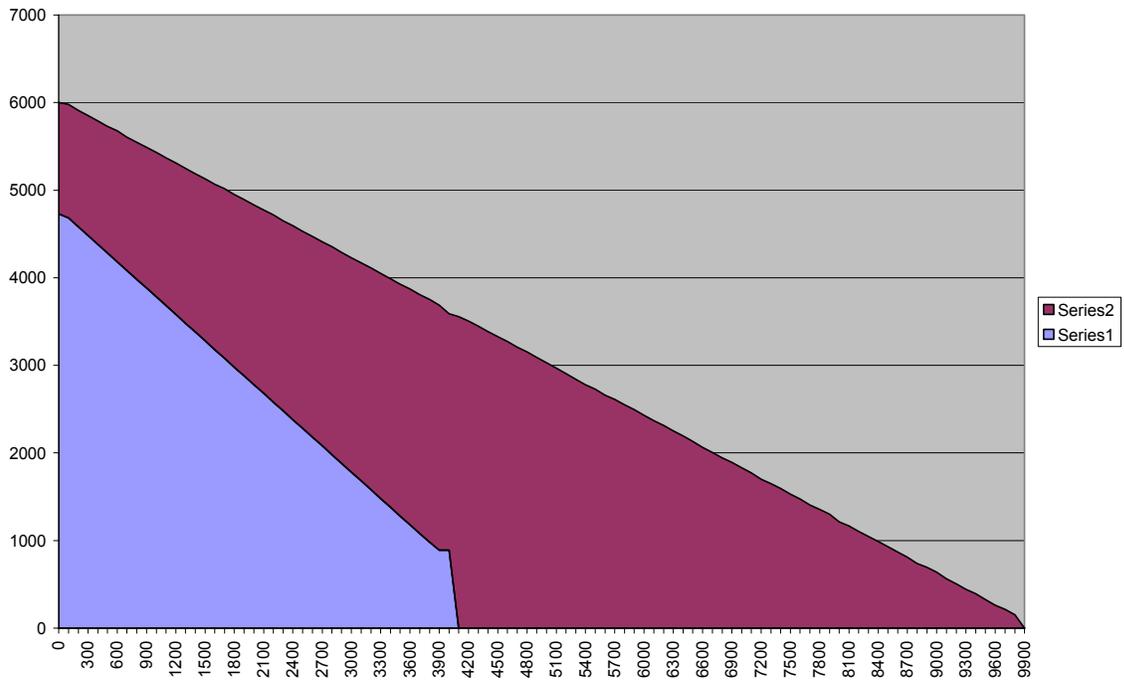
$$[1 - (EFC/\text{max EFC}) * (\text{max ITG})] - \text{Pell Grant} = \text{State award}$$

Model 5.2 is similar to Model 5, except that this model subtracts the Pell Grant from the State award.



Model 5.2 -- For-Profit -- \$5.5 Million

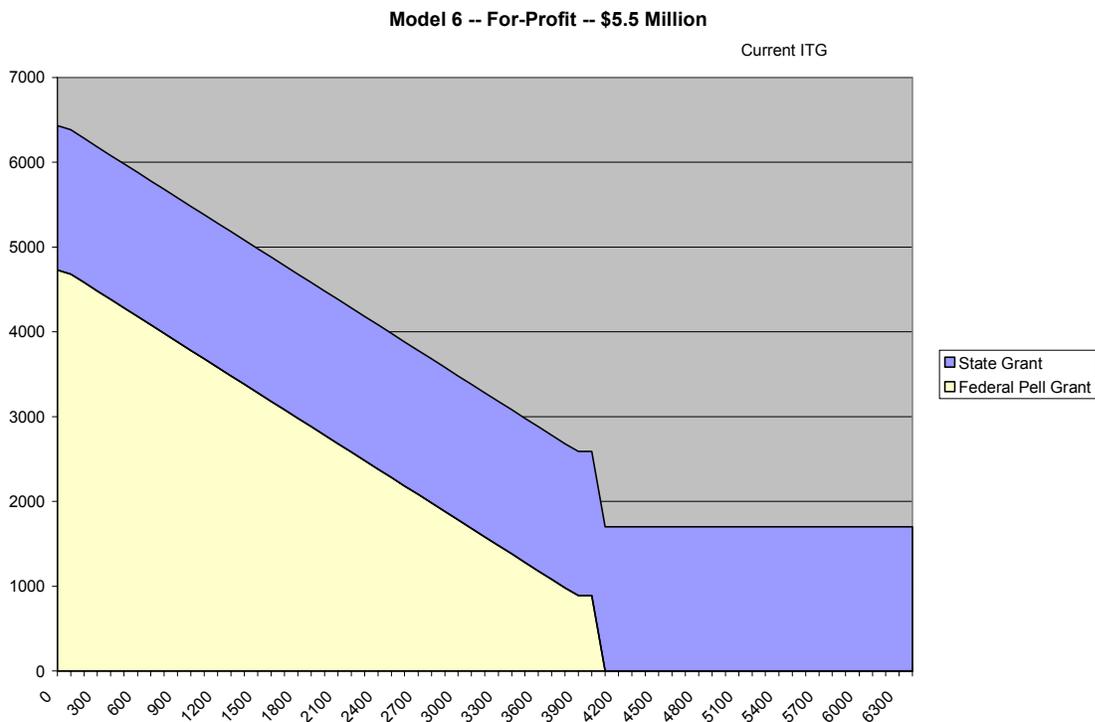
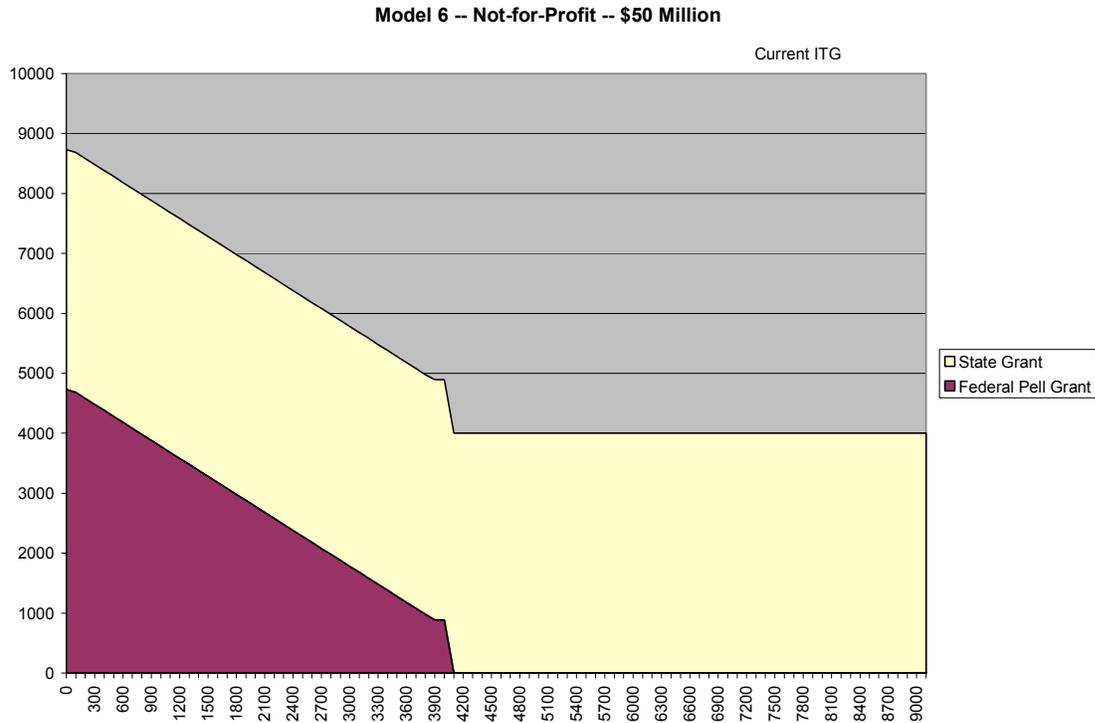
$((1-(EFC/Max.EFC)) \times Max.ITG) - Pell = State\ Award$



Model 6:

Current Program with a \$5,000 maximum – Change only the maximum award and makes no other change to the program.

Max EFC and Max ITG Award to determine eligibility for State award (similar to current ITG program).

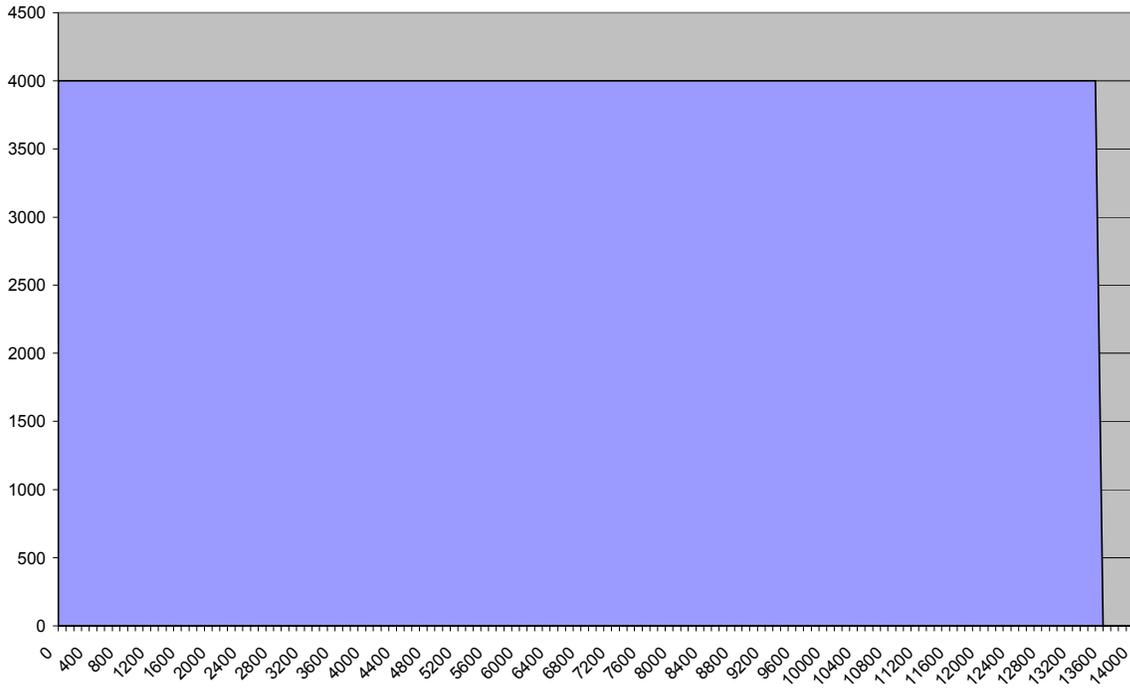


Model 7:

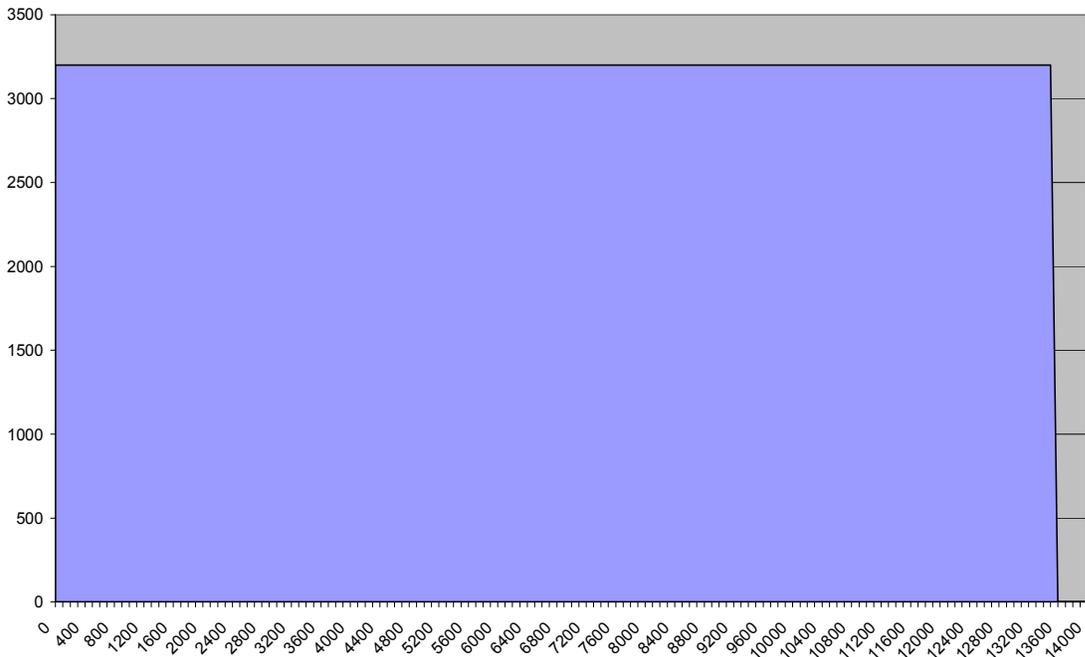
Current Program Extended to \$15,000 Expected Family Contribution (EFC) – extends the EFC from the current \$13,000 to \$15,000.

This model would produce the current program parameters with a \$65 million commitment. Adjusting that by expected attrition would result in approximately the current appropriation level.

Model 7 -- Not-for-Profit -- \$50 Million



Model 7 -- For-Profit -- \$5.5 Million

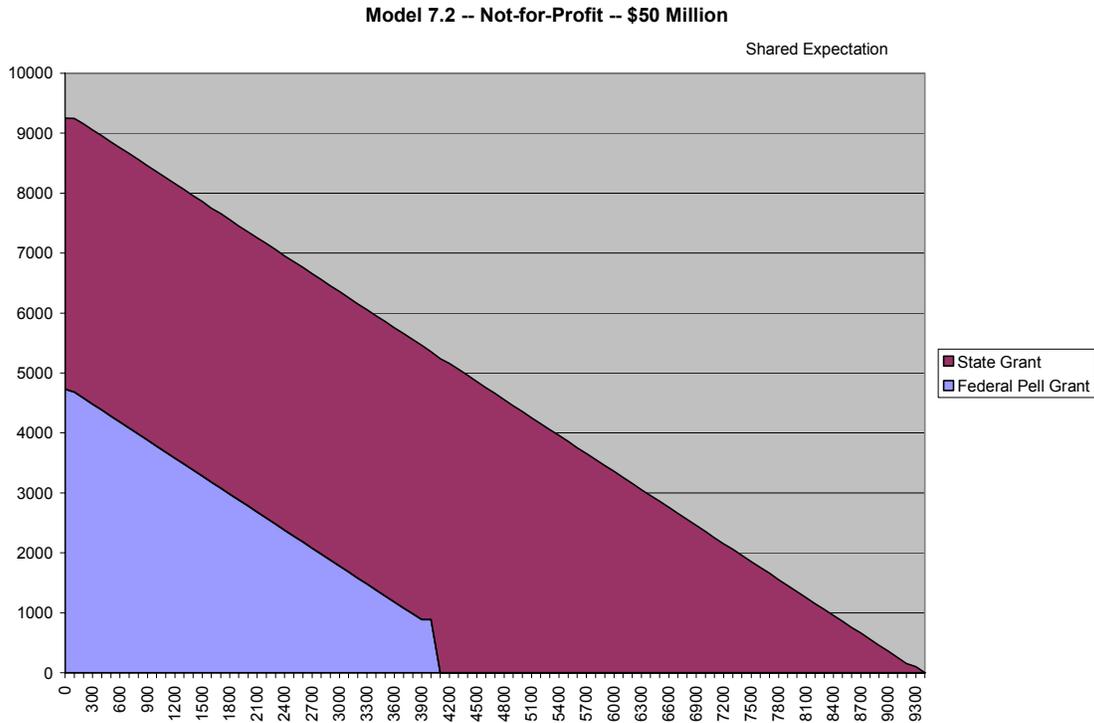


Model 7.2:

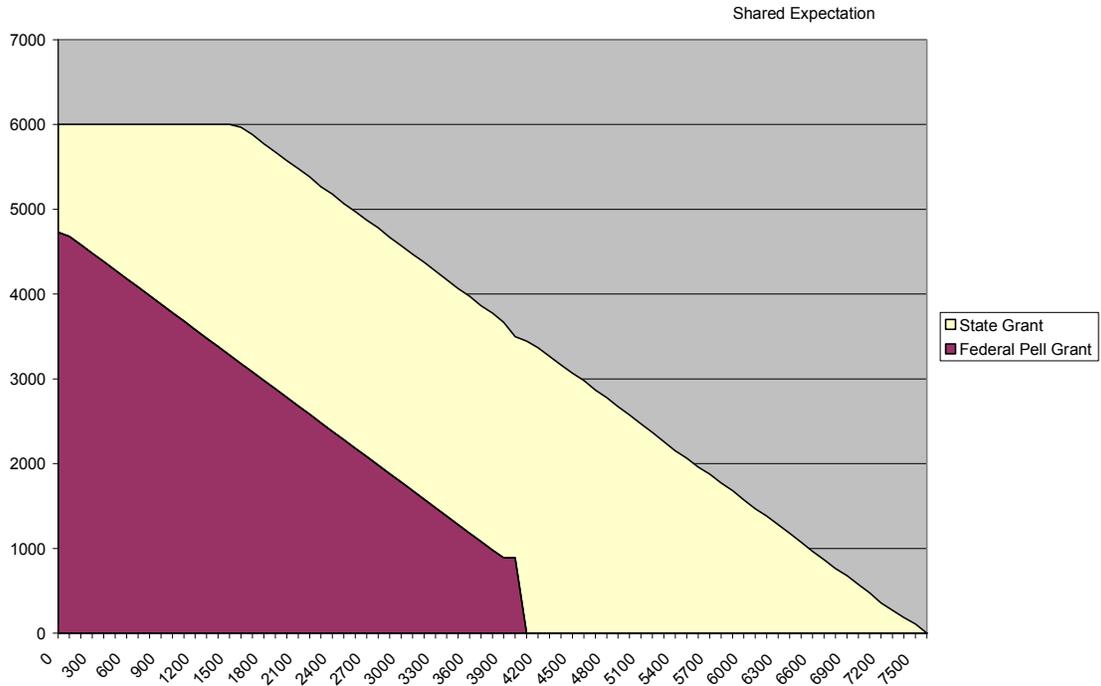
Shared Expectation – Students, parents, federal government, and state government all expected to provide funding to support the student’s postsecondary education expenses.

$[(\text{cost of attendance}) - (\% \text{ of cost of attendance})] - \text{EFC} - \text{Pell Grant} = \text{State award (cap Pell Grant} + \text{State award at tuition and fees)}$

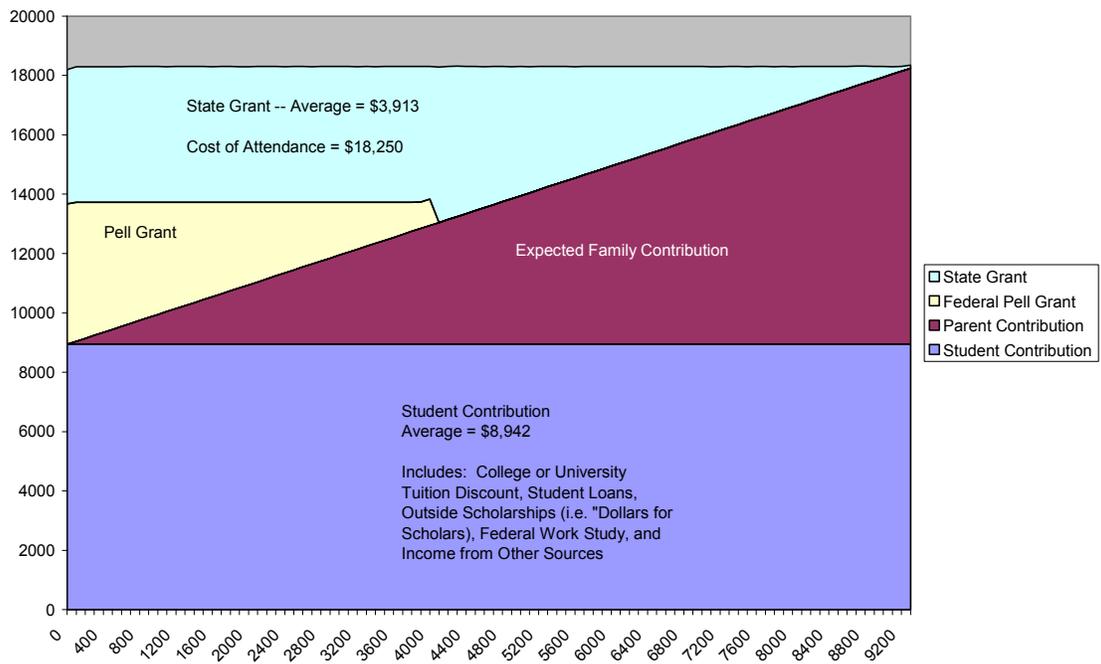
Shared expectations model: This model contains a student contribution, a family contribution, a federal contribution, and a state contribution.



Model 7.2 -- For-Profit -- \$5.5 Million



Shared Expectation Model - Not-for-Profit -- \$50 Million



Shared Expectation -- For-Profit -- \$5.5 Million

